



# *CITY COUNCIL*

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## ***Finance, Audit & Budget Committee***

### **Meeting Report Monday, May 21, 2012**

**Committee Members Attending:** D. Reed, Chair, R. Corcoran, Vice Chair, D. Sterner

**Others Attending:** L. Kelleher, H. Tangredi, M. Vind, D. Cituk, C. Zane, F. Acosta

Ms. Reed, Chair, called the meeting to order at 5:05 pm.

#### **Tax Liens & Municipal Revenue Services**

Mr. Vind introduced representatives from Stevens and Lee and Municipal Revenue Services (MRS) and explained the need to begin placing liens on properties with delinquent taxes.

Mr. Vind stated that the City has \$1.7M in delinquent taxes annually. He stated that MRS reviewed the last four years of delinquencies and suggests purchasing \$2.3M in outstanding debt.

Mr. Lloyd arrived.

The MRS representative Mr. Geranimo stated that MRS has been providing this service to government entities for approximately eight years.

Mr. Murin arrived.

Mr. Geranimo stated that after the program is approved by the governing body, the transaction usually closes in 30 days and the 6% fee is paid at closing. The fee covers all program costs. He stated that MRS usually purchases 90% of the most collectable delinquent taxes. He stated that the goal of MRS is to provide the government entity delinquent tax funds upfront.

Mr. Acosta arrived.

Mr. Sterner questioned how MRS recovers the money used to purchase the delinquent taxes. Mr. Geranimo stated that the money is recovered and the loan is repaid as the taxes are collected. He explained that in general people do not want liens attached to their property as the liens need to be removed before a property title can transfer. He stated that this is a one year program that can be reauthorized annually by the governing body.

Mr. Corcoran questioned the source of the loan. Mr. Geranimo stated that a loan is taken by a non-profit agency of the City's choosing.

The Stevens and Lee attorney Ms. Mason stated that she would act as the attorney for the purchaser. She stated that the transaction is transparent. She explained that an assignment will be executed between the City and the purchaser. She explained that there are approximately 8-10 banks who participate in this program. The taxes collected are paid to the bank to pay down the loan.

Mr. Cituk noted that if the program is extinguished after one year, the 6% fee is not refunded. He inquired about the need for an RFP. Mr. Younger inquired if MRS is the sole provider of this service, or if a similar service is available from other firms. Mr. Geranimo stated that some cities come directly to MRS and others do an RFP. However, he noted that MRS has prepared the RFPs for the cities who used that procurement approach.

Mr. Zale inquired if the loan is a liability on the City's books. Mr. Vind and Ms. Mason stated that the loan does not go on the City's books. He stated that the loan is usually repaid within four years and that the amount collected usually exceeds the amount borrowed. Any delinquent taxes remaining when the program is closed out can be repurchased by the City for a small amount of money.

### **IT Report**

Mr. Tangredi stated that the report was distributed electronically and attached to the agenda. In response to a question, Mr. Tangredi stated that IT currently has nine employees.

### **Contracts Awarded without Procurement Process**

Ms. Reed asked if Mr. Zale or Mr. Cituk would be addressing this topic.

Mr. Zale stated that all requests for his services must go through the Mayor's Office.

Mr. Cituk distributed a handout showing that the Mayor's Office has a line item of \$49,500 for Contracted Services and \$40,893 has been paid out to date, leaving \$8,606 unencumbered. He also distributed a handout showing that the majority of the money has been paid as follows:

- Four invoices to Fleck Consulting for a total of \$24,000
- Two Invoices to Scott Hoh for a total of \$16,666

Mr. Cituk stated that the contract for Fleck Consulting for Policy Consulting is for \$24,000 and a contract for Fleck Consulting for Media Services for \$24,500. The contract for Scott Hoh is for \$24,500

Ms. Kelleher noted that the contract for the Fleck Policy Consulting and to Scott Hoh is almost paid in full. She noted that the Charter and Administrative Code expressly prohibits issuing multiple contracts to avoid the threshold requiring Council approval,

Mr. Spencer questioned why the contract for Cindy Kauffman and Ruth Mathews are not on the handout. Mr. Cituk stated that these contracts are not paid through the Mayor's office. He noted that Ms. Kauffman was paid in January and February but not after her health problems prevented her from working. He stated that the Pagoda Credit Union account for the Pagoda Foundation was closed out around March. Mr. Spencer stated that his staff is inquiring about the possible misuse of money paid to the Pagoda Foundation.

There was discussion on this historical problem with very loose contract language.

Ms. Reed suggested that Mr. Cituk provide additional information on the cost of all contracts issued without the procurement procedure, not those only paid through the Mayor's Office and the City's exposure at a Committee of the Whole session in June.

### **Tax Amnesty Ordinance**

Ms. Reed asked if Committee members had any questions. Ms. Kelleher stated that this ordinance can be enacted at the May 29<sup>th</sup> regular meeting.

Mr. Sterner inquired about including property taxes in the amnesty program. Ms. Kelleher stated that the City can only apply the program to taxes the City collects. She stated that the amnesty can only be used for non-City collected taxes if the entity collecting the tax agrees. She stated that the work group has asked Berks EIT to start the amnesty program for EIT in September.

### **Budget Review**

Mr. Zale stated that to date 33% of the budget's expenditures have been used on the accrual side and 29% of the revenues have come in. He noted that the revenues are coming in behind due to the booking of the payment by Greater Berks in 2012 rather than in 2013 as budgeted.

Mr. Zale explained that on a cash basis the expenditures are at 25%. He noted that the pension expense is not booked until November. He also stated that Police and Fire overtime

are over budget. He predicted that 2012 will end with a \$7M deficit due to the \$5M payment of the unfunded debt and the 2012 booking of the Greater Berks \$2.3M payment.

### **Auditor's Report on Internal Audits**

Mr. Cituk distributed a report on the City Park Improvement Audit showing the following:

<b>Project</b>	<b>Budgeted</b>	<b>Actual</b>
City Park Pond	\$100K	\$13,784.98
Castle	\$40K	\$4,730.58
City Park Improvement	\$1.212M	\$1.289
Basketball Court	\$200K	\$18K
Bandshell	\$80K	\$218,108.16
Playground	\$50K	\$495.71

Ms. Kelleher questioned why the estimates for the project were so far from the actual costs. Mr. Cituk stated that he assumes that the estimates were higher than the actual rehab needs.

Mr. Cituk stated that he would present a to date audit of the WWTP project next month. He also noted that the City Finance Division is now reconciling the Due Tos/Due Froms monthly.

Ms. Reed inquired about the start of the audit on the disposal of the Fine Arts funds. She noted that the Fine Arts fund revenue came from a percentage of the cost of projects within the City for public art in public spaces, such as the River Speaks at 2<sup>nd</sup> and Penn and the many murals. She explained that former Mayor McMahon disbanded the Fine Arts Board and transferred the revenue to River Place, who transferred the funds to Penn Corridor. She questioned if public funding can be spent by non-public organizations. She questioned if these transactions were legal.

After some discussion, Ms. Reed and Mr. Cituk agreed to work together on this project.

### **CSC Report**

Mr. Zale distributed the CSC Report. He stated that the numbers are consistent with prior months. He also stated that the Administration is currently evaluating the need to layoff CSC employees due to the shift of customer service and collection of water bills to RAWA.

### **CD Report**

The Finance Committee instructed Ms. Kelleher to have Mr. Agudo attend next months meeting.

As no other business was brought to the table the meeting adjourned at approximately 6:25 pm.

*Respectfully submitted by Linda A. Kelleher CMC, City Clerk*